Public Laws / Bill / House / 106th Congress / 1st Session / 1999 / [illegible]

106TH CONGRESS
1ST SESSION

H. R. 2261

To amend the Internal Revenue Code of 1986 to provide incentives for health coverage.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1999

Mrs. JOHNSON of Connecticut (for herself and Mr. PETERSON of Pennsylvania) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for health coverage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Health Insurance Affordability and Equity Act of 1999".

SEC. 2. CREDIT FOR HEALTH INSURANCE COSTS OF PREVIOUSLY UNINSURED INDIVIDUALS AND INDIVIDUALS WITH COBRA COVERAGE.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. HEALTH INSURANCE COSTS OF PREVIOUSLY UNINSURED INDIVIDUALS AND INDIVIDUALS WITH COBRA COVERAGE.

"(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 60 percent of the amount paid during the taxable year for coverage for the taxpayer, his spouse, and dependents under qualified health insurance.

"(b) DOLLAR LIMITATION.—

"(1) IN GENERAL.—The amount allowed as a credit under subsection (a) to the taxpayer for the taxable year shall not exceed the sum of the monthly limitations for eligible months during such taxable year.

"(2) MONTHLY LIMITATION.—The monthly limitation for any eligible month is the amount equal to 1/12 of—

"(A) $1,200 if, as of the first day of such month, the taxpayer has self-only coverage under qualified health insurance, and

"(B) $2,400 if, as of the first day of such month, the taxpayer has family coverage under qualified health insurance.

"(3) ELIGIBLE MONTH.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'eligible month' means any month which begins at least 1 year after the most recent month that the individual—

"(i) was eligible to participate in any group health plan of an employer which provided qualified health insurance (determined without regard to subsection (d)(2)), or

"(ii) participated in any group health plan of any other entity which provided such insurance.

"(B) JOINT RETURNS.—In the case of a joint return, a month shall be treated as an eligible month only if it is an eligible month of each spouse, determined by applying this paragraph separately to each spouse.

"(4) CERTAIN OTHER COVERAGE.—Amounts paid for coverage of an individual for any month shall not be taken into account under subsection (a)

if, as of the first day of such month, such individual is covered under any medical care program described in—

"(A) title XVIII, XIX, or XXI of the Social Security Act,

"(B) chapter 55 of title 10, United States Code,

"(C) chapter 17 of title 38, United States Code,

"(D) chapter 89 of title 5, United States Code, or

"(E) the Indian Health Care Improvement Act.

"(5) SPECIAL RULE FOR MARRIED INDIVIDUALS.—In the case of an individual—

"(A) who is married (within the meaning of section 7703) as of the close of the taxable year but does not file a joint return for such year, and

"(B) who does not live apart from such individual's spouse at all times during the taxable year,

the limitation under paragraph (2)(A) (and not the limitation under paragraph (2)(B)) shall apply to such individual.

"(c) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—The aggregate amount which would (but for this subsection) be allowed as a credit under this section shall be reduced (but not below zero) by the amount determined under paragraph (2).

"(2) AMOUNT OF REDUCTION.—

"(A) IN GENERAL.—The amount determined under this paragraph shall be the amount which bears the same ratio to such aggregate amount as—

"(i) the excess of—

"(I) the taxpayer's modified adjusted gross income for such taxable year, over

"(II) the applicable dollar amount, bears to

"(ii) $10,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

"(C) ROUNDING.—Any amount determined under subparagraph (A) which is not a multiple of $10 shall be rounded to the next lowest $10.

"(3) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (2), the term 'applicable dollar amount' means—

"(A) $60,000 in the case of a taxpayer whose qualified health insurance coverage covers more than 1 individual referred to in subsection (a), and

"(B) $30,000—

"(i) in any case not described in subparagraph (A), and

"(ii) in the case of a married individual filing a separate return.

For purposes of this paragraph, marital status shall be determined under section 7703.

"(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section—

"(1) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified health insurance' means insurance which constitutes medical care, as defined in section 213(d) without regard to—

"(A) paragraph (1)(C) thereof, and

"(B) so much of paragraph (1)(D) thereof as relates to qualified long-term care insurance contracts.

"(2) EXCLUSION OF COVERAGE PROVIDED UNDER GROUP HEALTH PLANS, ETC.—Such term shall not include insurance provided through any group health plan of an employer or any other entity.

"(3) EXCLUSION OF CERTAIN OTHER CONTRACTS.—Such term shall not include insurance if a substantial portion of its benefits are excepted benefits (as defined in section 9832(c)).

"(e) INDIVIDUALS WITH COBRA COVERAGE.—In the case of continuation coverage under a group health plan which is required to be provided by Federal law for an individual during the period specified in section 4980B(f)(2)(B), notwithstanding subsection (d)—

"(1) such coverage shall be treated as qualified health insurance, and

"(2) the term 'eligible month' includes months of such coverage.

"(f) SPECIAL RULES.—

"(1) COORDINATION WITH OTHER DEDUCTIONS.—No credit shall be allowed under this section for the taxable year if any amount paid for

qualified health insurance is taken into account in determining the deduction allowed for such year under section 213 or 222.

"(2) DENIAL OF CREDIT TO DEPENDENTS.—No credit shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

"(3) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of a taxable year beginning after 2000, each dollar amount in subsection (c)(3) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

"(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $100, such amount shall be rounded to the next lowest multiple of $100."

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25A the following new item:

"Sec. 25B. Health insurance costs of previously uninsured individuals and individuals with COBRA coverage."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 3. DEDUCTION FOR QUALIFIED HEALTH INSURANCE COSTS OF EMPLOYEES AND SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

"SEC. 222. COSTS OF QUALIFIED HEALTH INSURANCE.

"(a) IN GENERAL.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable percentage of the amount paid during the taxable year for coverage for the taxpayer, his spouse, and dependents under qualified health insurance.

"(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a)—

"(1) IN GENERAL.—Except as provided in paragraph (2), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2000	60
2001	70
2002	80
2003	90
2004 and thereafter	100.

"(2) SPECIAL RULE.—In the case of an individual who is an employee within the meaning of section 401(c)(1) and whose qualified health insurance is not provided through a group health plan of an employer, paragraph (1) shall be applied by substituting '100' for '90' but only with respect to the lesser of the taxpayer's earned income (within the meaning of section 401(c)) or the payments referred to in subsection (a).

"(c) EXCLUSION OF SUBSIDIZED COVERAGE.—Subsection (a) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any group health plan of an employer or any other entity if less than 50 percent of the cost of the taxpayer's coverage under such plan is borne by the taxpayer. A rule similar to the rule of the last sentence of section 162(l)(2)(B) shall apply for purposes of this subsection.

"(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified health insurance' has the meaning given such term by section 25B(d) determined without regard to paragraph (2) thereof.

"(2) SPECIAL RULE.—

"(A) IN GENERAL.—In the case of an individual who is an employee within the meaning of section 401(c)(1) and whose qualified health insurance (without regard to this paragraph) is not provided through a group health plan of an employer, paragraph (3) of section 25B(d) shall not apply for purposes of this section.

"(B) LIMITATION.—The amount taken into account under subsection (a) by reason of subparagraph (A) shall not exceed the excess of—

"(i) the taxpayer's earned income (within the meaning of section 401(c)), over

"(ii) the amount which would (without regard to this paragraph) be taken into account under subsection (a).

"(e) SPECIAL RULES.—

"(1) COORDINATION WITH MEDICAL DEDUCTION, ETC.—Any amount paid by a taxpayer for in-

surance to which subsection (a) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

"(2) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX PURPOSES.—The deduction allowable by reason of this section shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2."

(b) CONFORMING AMENDMENTS.—

(1)(A) Paragraph (1) of section 162(l) of such Code is amended by striking "the amount paid" and all that follows and inserting "the eligible long-term care premiums (as defined in section 213(d)(10)) paid during the taxable year for any qualified long-term care insurance contract (as defined in section 7702B(b)) covering the taxpayer, his spouse, and dependents."

(B) Paragraph (2) of section 162(l) of such Code is amended by striking subparagraph (C).

(2) Subsection (a) of section 62 of such Code is amended by inserting after paragraph (17) the following new item:

"(18) COSTS OF QUALIFIED HEALTH INSURANCE.—The deduction allowed by section 222."

(3) The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

"Sec. 222. Costs of qualified health insurance.
"Sec. 223. Cross reference."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

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